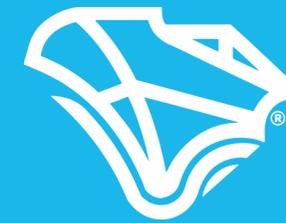


# STATE OF THE PORT

OCTOBER 29, 2018



**SOUTH  
CAROLINA  
PORTS**

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THE WORLD CONNECTS HERE



# AGENDA

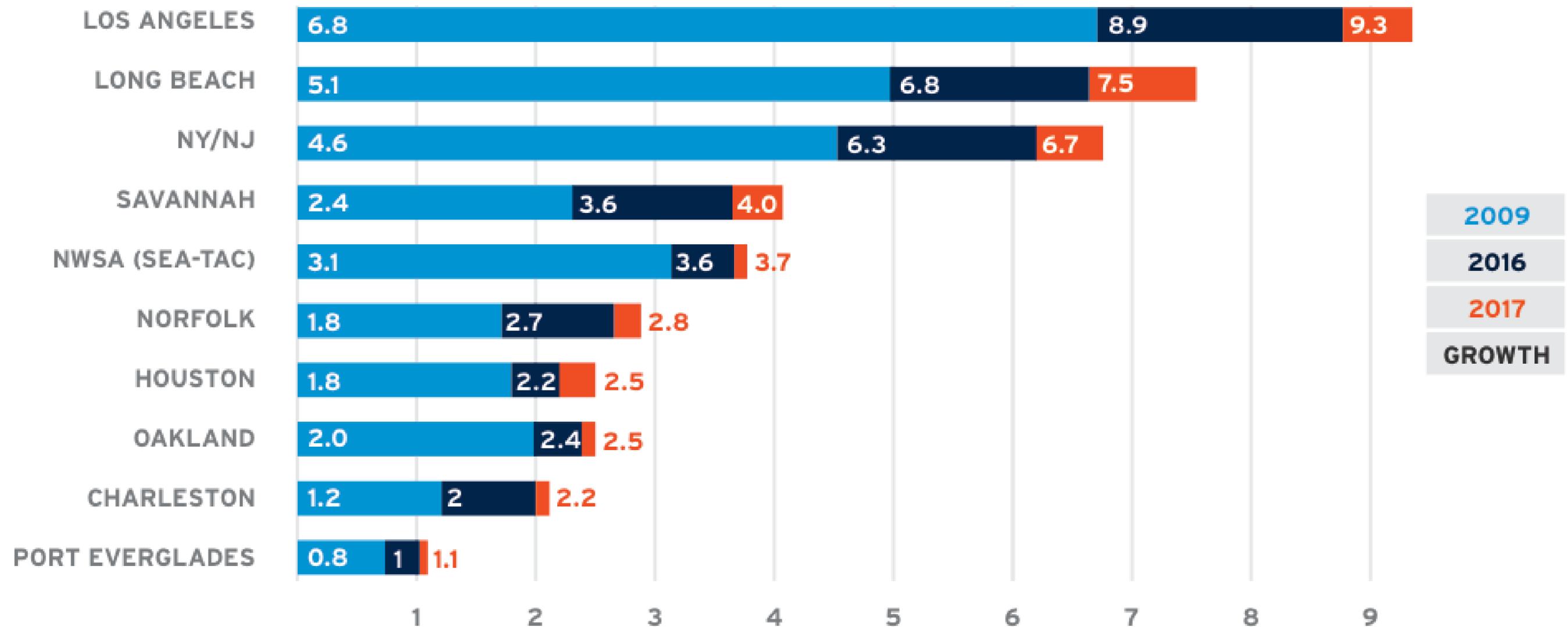
- FY2018 Accomplishments
- Important Port & Container Carrier Trends
- SC Ports Strategy & Actions **FY2019 - FY2021**
- Longer Term **FY2022 - FY2035**
- What Now?

# **FY2018 ACCOMPLISHMENTS**

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# TOP 10 U.S. CONTAINER PORTS

## CONTAINER VOLUME - TEUS IN MILLIONS

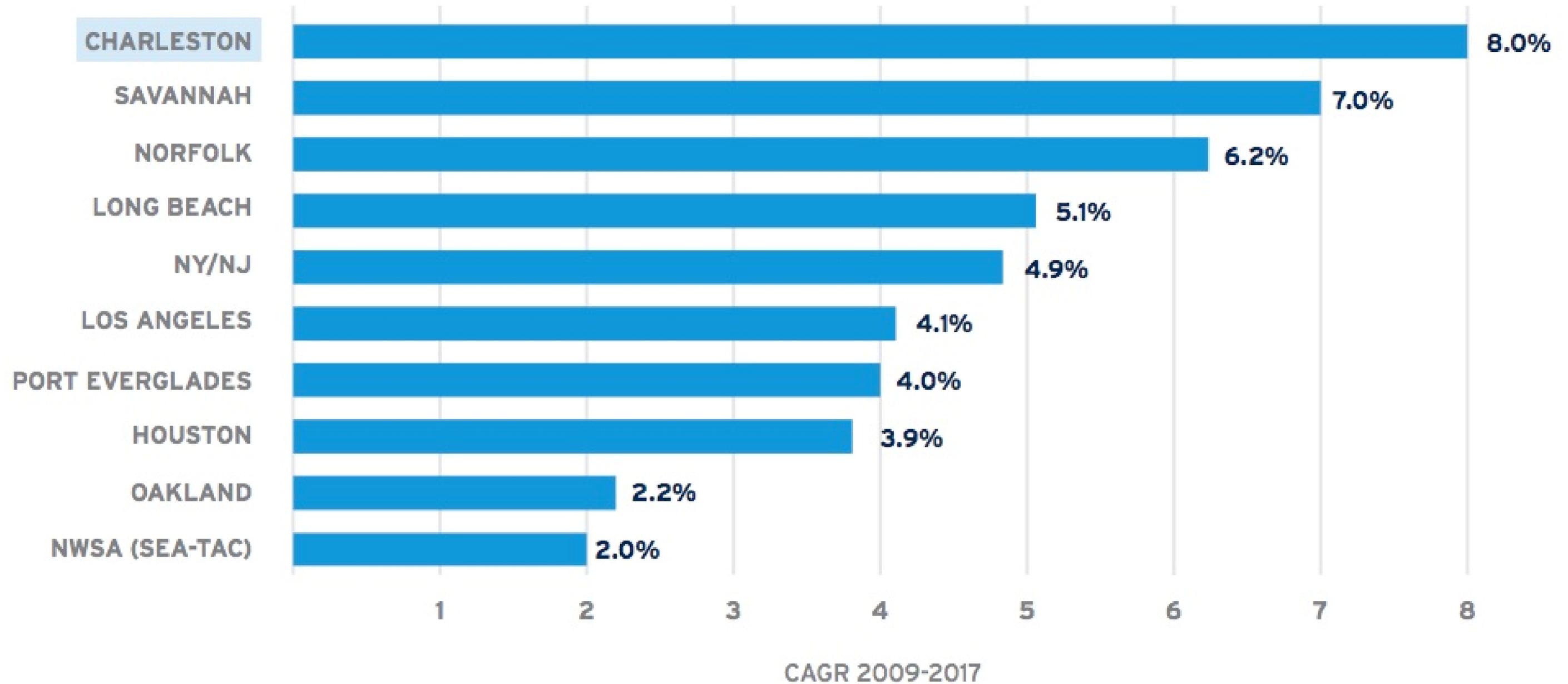


Source: AAPA

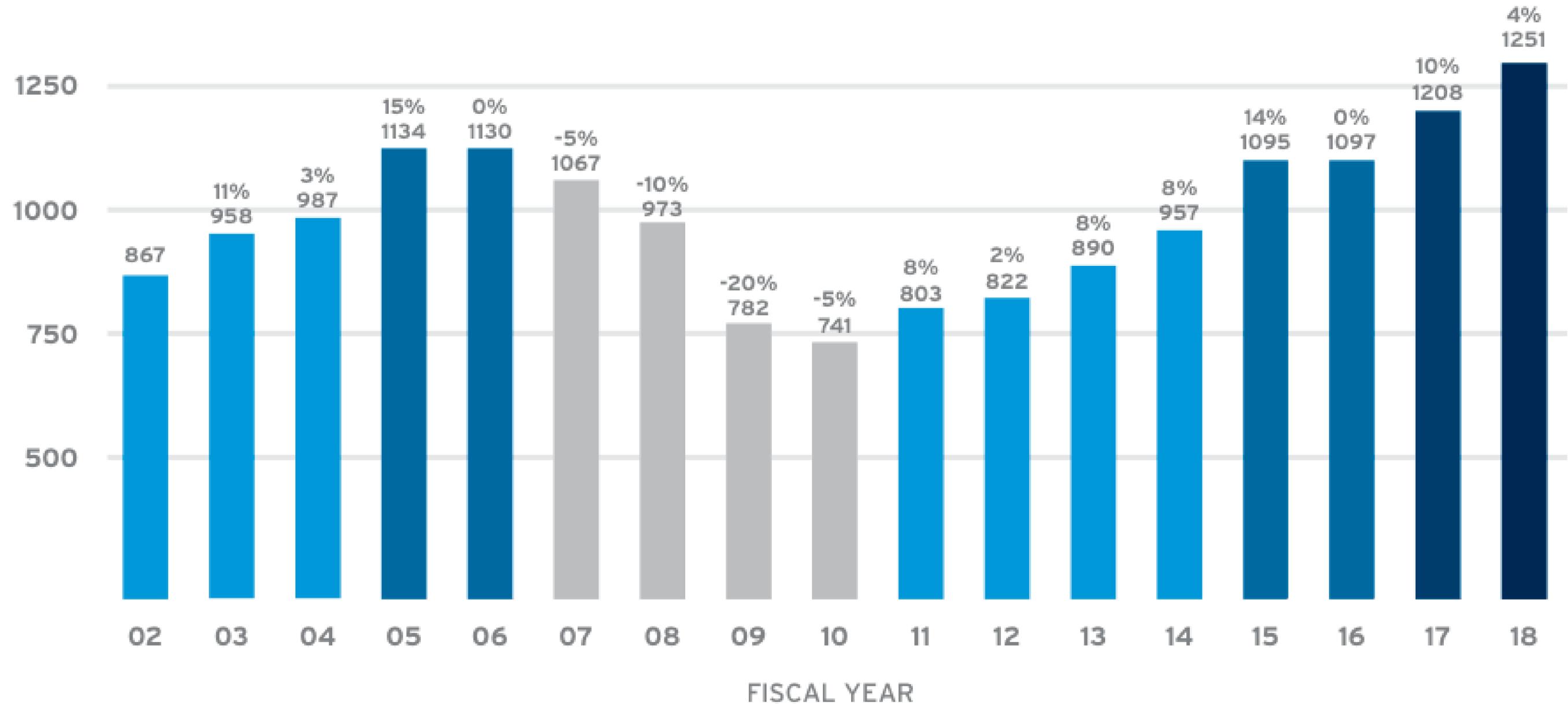
**Top 10 Ports Handle 81% of U.S. Container Port Throughput**

# TOP 10 U.S. PORTS

## CONTAINER VOLUME 2009-2017 GROWTH

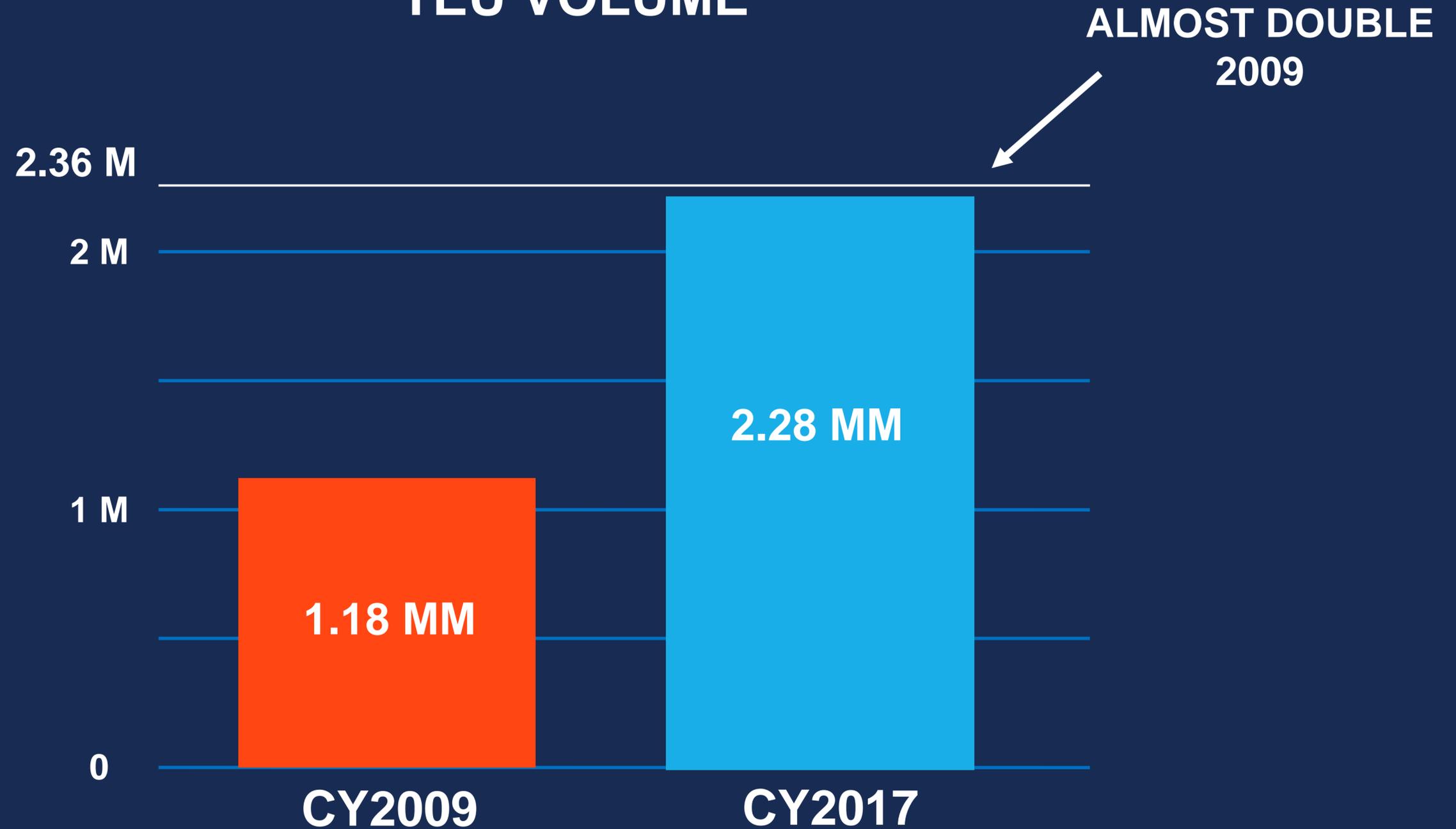


# SC PORTS PIER CONTAINER VOLUMES IN THOUSANDS



# KEY METRIC COMPARISONS

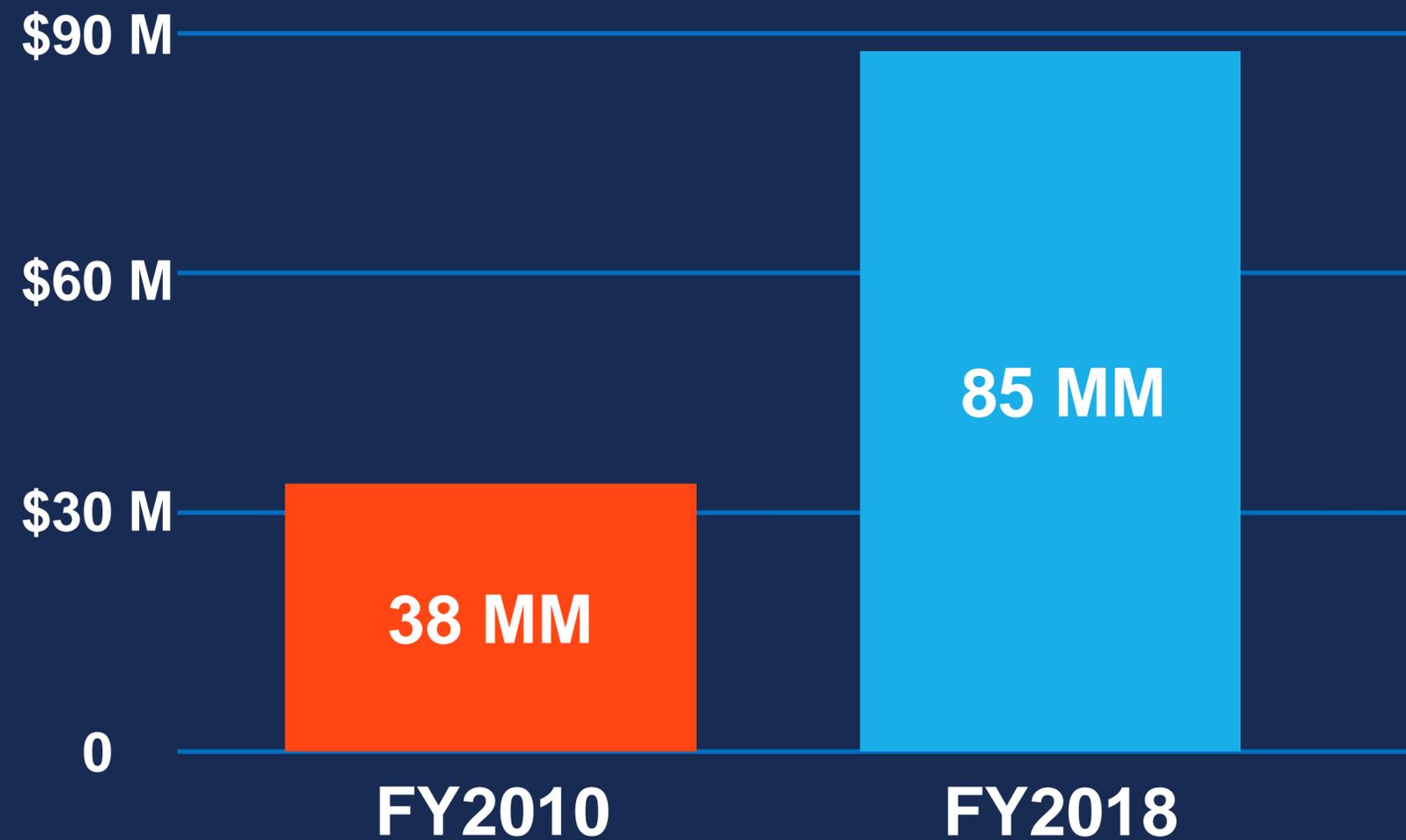
## TEU VOLUME



# KEY METRIC COMPARISONS

## OPERATING CASH FLOW

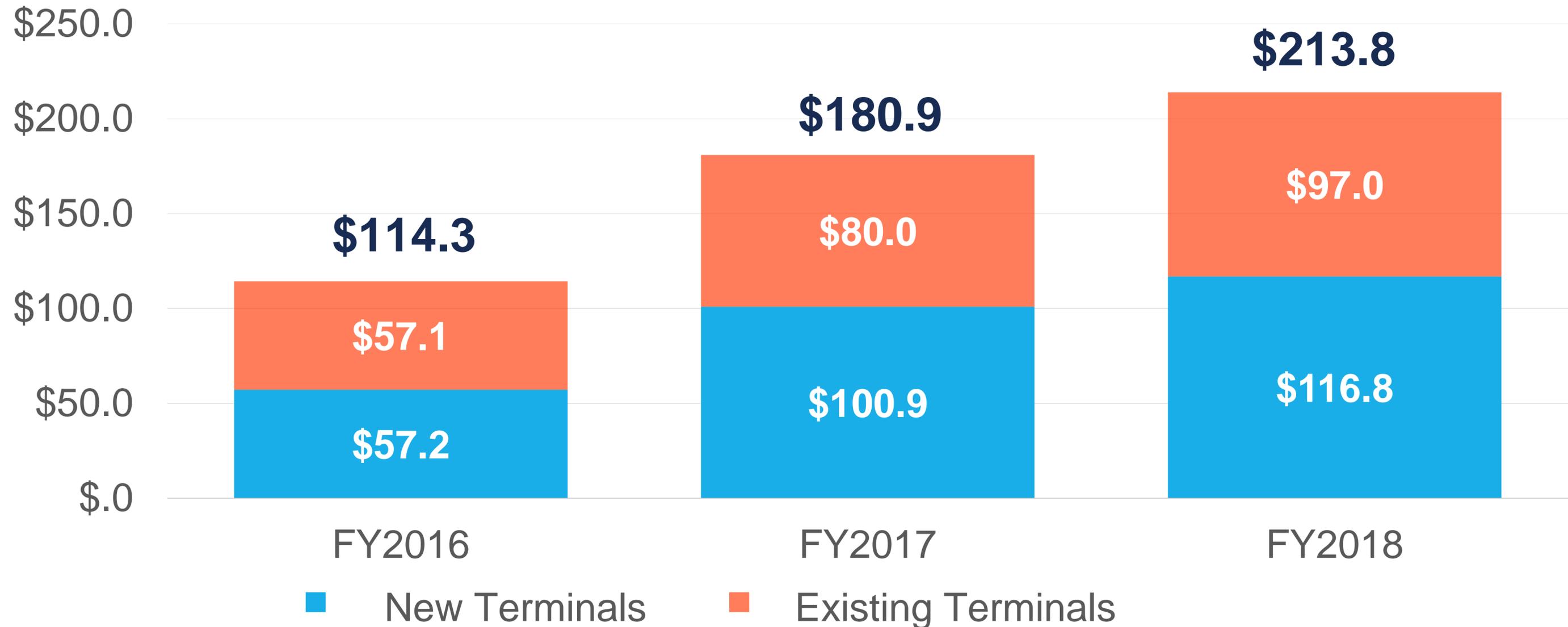
Growth of nearly \$50 million



# CAPITAL EXPENDITURES

## IN MILLIONS

### FY2016 - FY2018



**Total CAPEX of these 3 years is \$509MM**  
**-by far the largest in the port's history and will continue and grow for the next three years-**

# FY2018 ACCOMPLISHMENTS

- **WANDO WHARF REFURBISHMENT**  
Completed, 840 days
- **HARBOR DEEPENING**  
First major contract, \$300 million
- **ARMY CORPS WORK PLAN**  
Provides another \$49 million for next contract
- **LEATHERMAN TERMINAL**  
Completion of Fill Phase
- **INLAND PORTS**  
Opened second location in Dillon, SC
- **CHASSIS POOL IMPROVEMENT INITIATIVE**  
Commencing
- **NEO PANAMAX ERA**  
18 of 26 weekly services have ships that are Neo Panamax
- **NEW DEBT ISSUANCE FOR CAPITAL CAMPAIGN**  
Successfully issued nearly \$300 million in net new proceeds while maintaining A1/A+ credit ratings from Moody's and S&P

# REAFFIRMING OUR VISION AND VALUES

**VISION:**  
**TO BE THE PREFERRED PORT  
OF THE TOP 10 U.S. PORTS.**

**VALUES:**

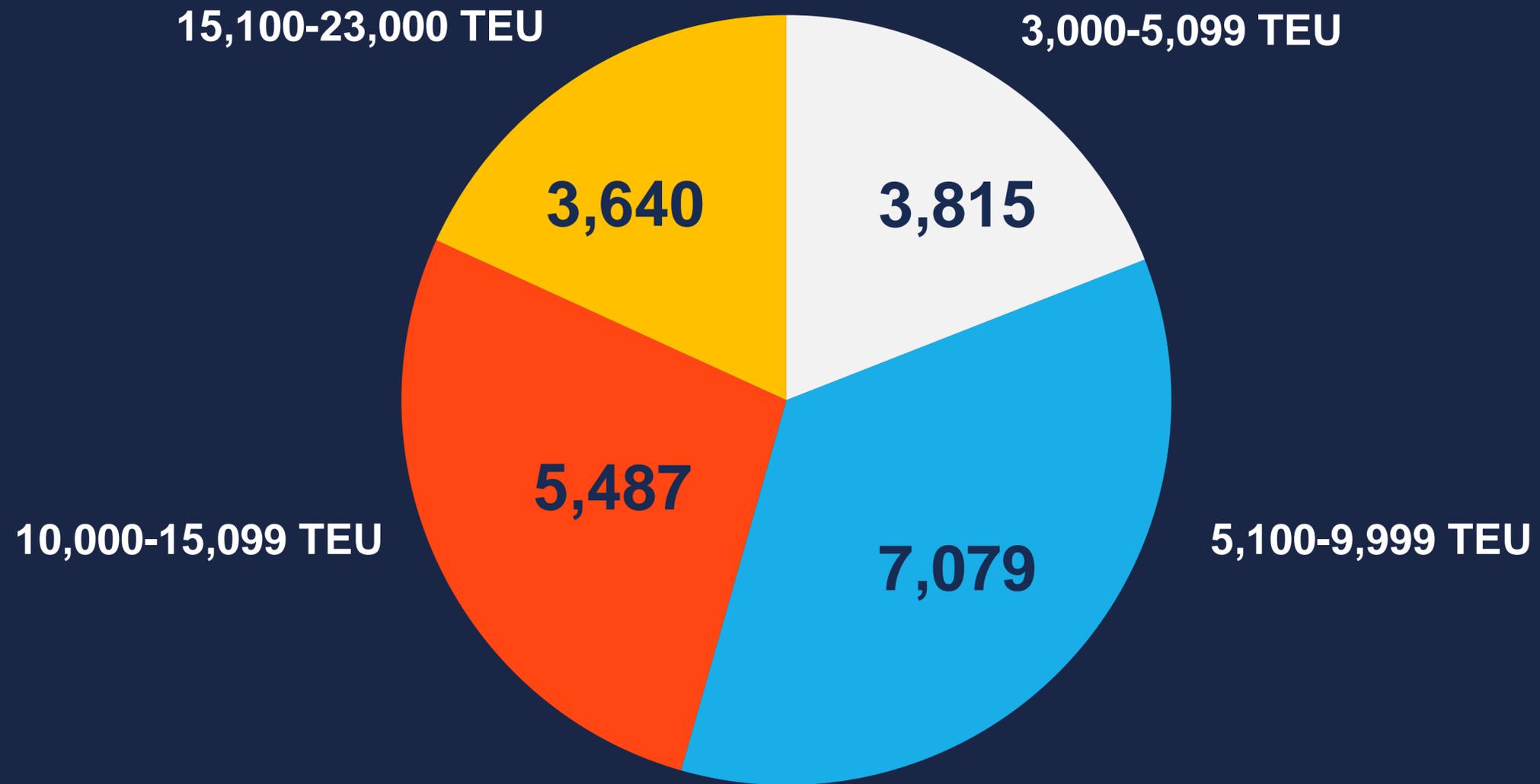


# **IMPORTANT PORT & CONTAINER CARRIER TRENDS**

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# WORLD CONTAINER SHIP FLEET AT END-2020

## TEU CAPACITY IN THOUSANDS



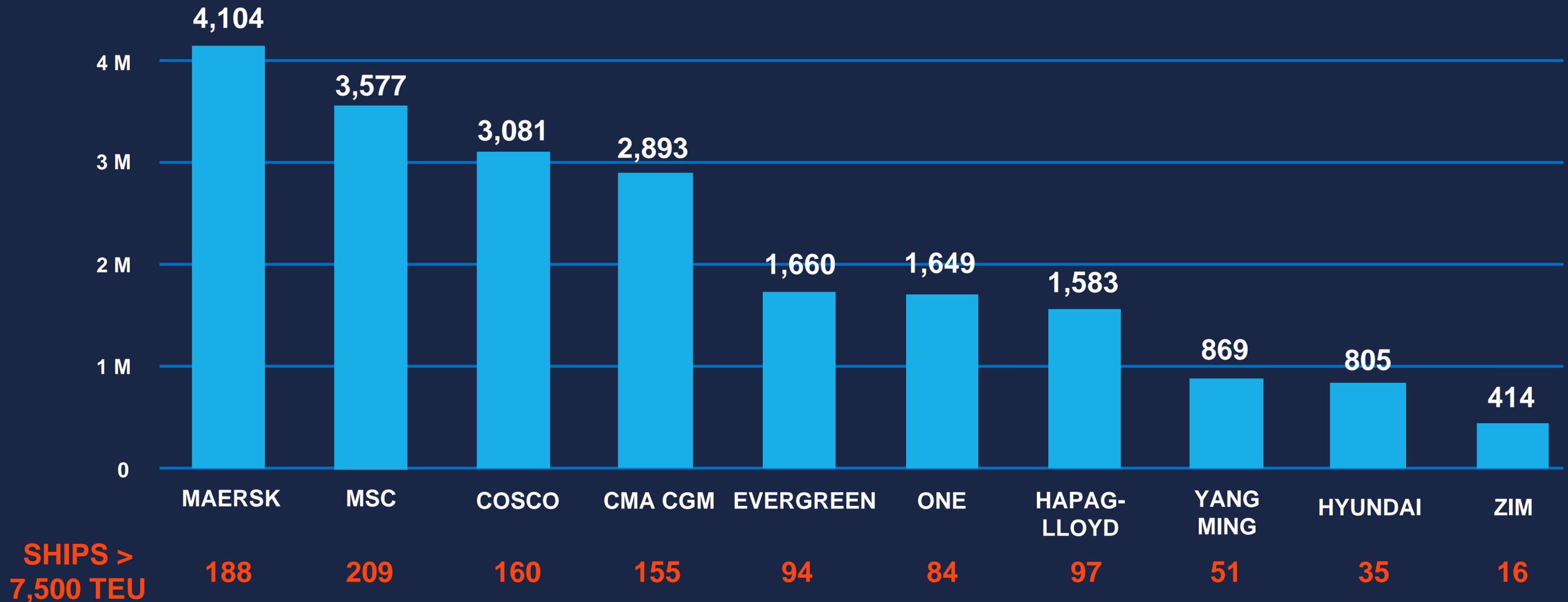
**46% of Capacity is above 10,000 TEU.**

Source: Alphaliner Monthly Monitor, Sept. 2018

# TOP TEN CONTAINER CARRIER'S CAPACITY AT END 2020

## TEU CAPACITY IN THOUSANDS

Top 10: 87% of Global Container Ship Fleet  
 Top 10: 1,089 Ships Larger than 7,500 TEU (Over 100 Large Ship Slings)



# CONTAINER CARRIER INDUSTRY TRENDS

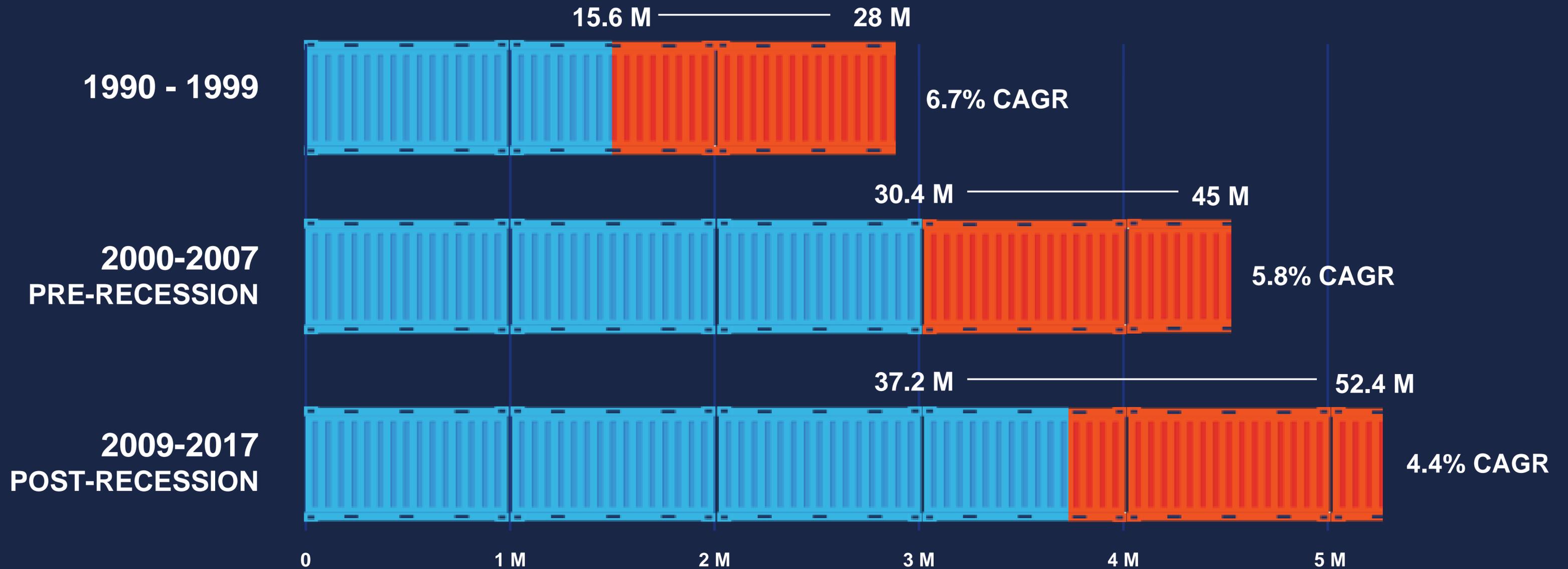
- Large Ships are Dominant Theme
- Maximum Size Has Been Reached
- Order Book Is Stabilizing
- Sulfur Cap in 2020 Will Have Dramatic Impact
- Panama Canal Has Recaptured Volume Lost Pre-Expansion
- Industry Consolidation is Largely Done
- 10 Carriers/3 Alliances Looks to be the Future



# IMPACT OF 2020 SULFUR CAP IS DRAMATIC

- \$12 Billion Impact for Container Shipping Industry per Annum
- Incremental Cost in TPEB Trade=\$250 per FEU
- Three Solutions Possible
  - Low Sulfur Fuel (ULSF)
  - Scrubbers
  - LNG
- 95% Will Use Low Sulfur Fuel
- Questions as to Availability & Cost
- Three Major Expected Outcomes
  - Tension Between Carriers and Customers
  - Further Scrapping of < 5,000 TEU Ships
  - Fewer Ship Slings If Availability is an Issue
- Getting This Right Is a Survival Issue for Carriers

# U.S. PORT CAGR HAS SLOWED



AAPA FIGURES

# **EAST COAST / GULF COAST PORTS CONTINUE TO CAPTURE SHARE**

- Impact of Panama Canal and Big Ship Deployment
- Substantial Economic Growth
  - Manufacturing Boom = Automotive, Aerospace, Plastics
  - Population Boom = Fastest Growing MSAs by 2050
- U.S. South is the World's 3<sup>rd</sup> Largest Economy (Michael Randle)
- Asia/U.S. Trade Will be 50/50 WC vs. EC/GC by 2025



# THREATS IN GLOBAL TRADE

- Fair Trade Enhances Free Trade
- A Wide Range of Outcomes are Possible
- Quick Solutions are Helpful
- Prediction — David Ricardo Was Right!
- Forrest Gump

# TREND IMPACT FOR U.S. EAST COAST PORTS LIKE CHARLESTON

## CONTAINER PORTS FACE TWO CHOICES:

1

Large, Timely Investments  
to Handle Growth and Big  
Ships

2

Fall Behind and Lose  
Control of Their Destiny

### OUR CHOICE:

- SCPA Has Clearly Chosen the Former
- The Southeast Region is Dependent on Modernized Ports to Reach Its Economic Potential
- Opportunities are Significant if this is Managed Well

# **SCPA STRATEGY ACTIONS FY2019 – FY2021**

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## 5 YEAR STRATEGIC PLAN



Ensure that  
our port  
works well



Invest heavily  
in new and existing  
infrastructure



Continued  
growth of  
cargo base



Drive  
intermodal  
efficiency



Enhance our  
workforce  
effectiveness

# ASSURING THAT OUR PORT WORKS VERY WELL

- Fast and Reliable Truck Turn Times
- World Class Berth and Crane Productivity
- The Deepest Harbor on the East Coast
- Ample Gate Hours
- A Modern Terminal Operating System
- Comprehensive Approach to Customer Service
- A Silent Partner in the Supply Chain





# ENHANCING THE WANDO TERMINAL

- \$400 Million Investment by End 2019
- 3 Neo-Panamax Berths
- 15 x 155 Foot (47.2 Meters) Lift Height STS Cranes
- 65 RTGs / 25 Empty Handlers
- 40 Gates
- Dedicated Chassis Yard
- Densified Ops. with 2.4 Million TEU of Capacity
- Evaluate the Need and Cost of Longer Gate Hours

# THE DEEPEST HARBOR ON THE U.S. EAST COAST

- \$558 Million Project
  - \$287 Million Federal (\$66 Million Funded)
  - \$271 Million State (\$350 Million Funded)
- Construction of Entrance Channel Underway
- Largest Deepening Contract Ever Awarded by Army Corps (\$200+ Million)
- State Support Essential (\$300 Million Plus \$50 Million Loan)
- Contract 4 (Entrance Channel to Wando) Let by End 2018
- Deepening to Wando Completed by March 2021
- A New BCR of 6.4 (old 3.9)
- Under Current Rules This Qualifies Us for the President's Budget!
- A Significant Success Story in the Annals of Deep Draft Navigation

# THE OUTCOME

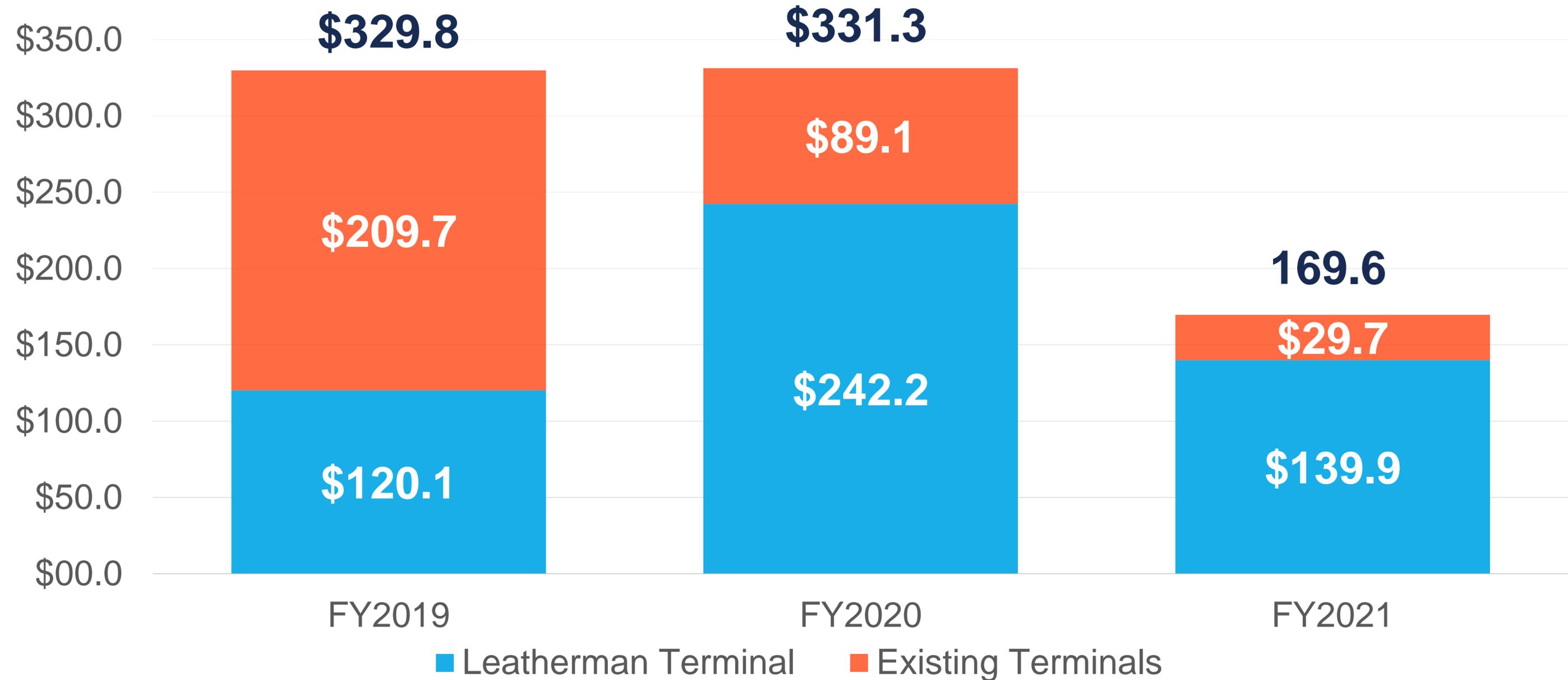
The Ability to  
Comfortably Handle  
3 x 14,000 TEU Ships  
at Wando Terminal  
by End 2020.



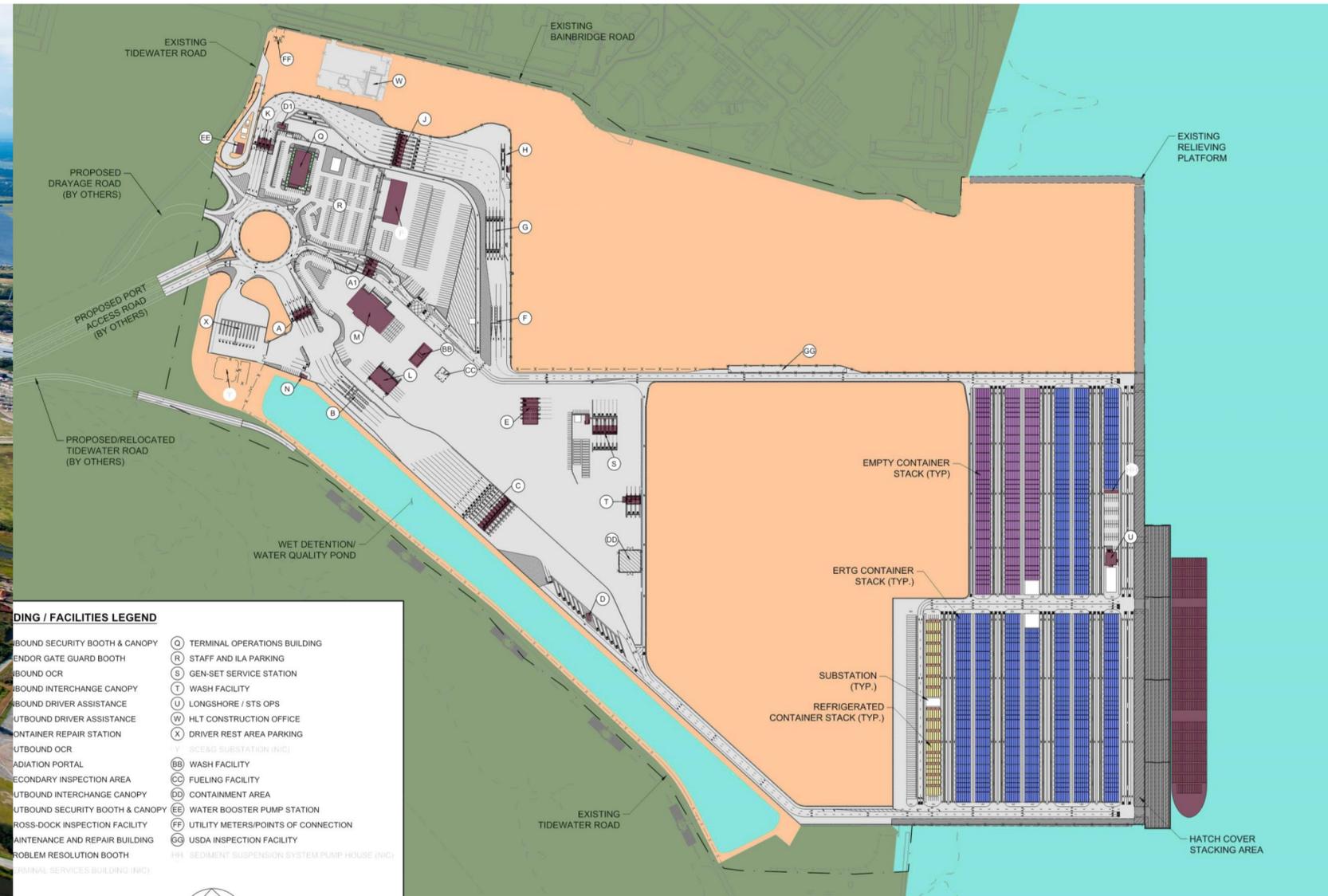
# CAPEX IN FY2019 - FY2021

## RECORD LEVELS REQUIRED

**3 Year Total = \$830.7MM**  
**FY2016 – FY2021 = \$1.34B**



# LEATHERMAN TERMINAL PHASE ONE



# AMBITIOUS ACTIONS REQUIRED TO REALIZE THIS PLAN

- Further Growth of Volume and Rates
- Another Successful Bond Issuance in FY 2020
- Use of Federal Programs: BUILD and TIFIA
- Finalizing the Sale of Non-Operated Real Estate

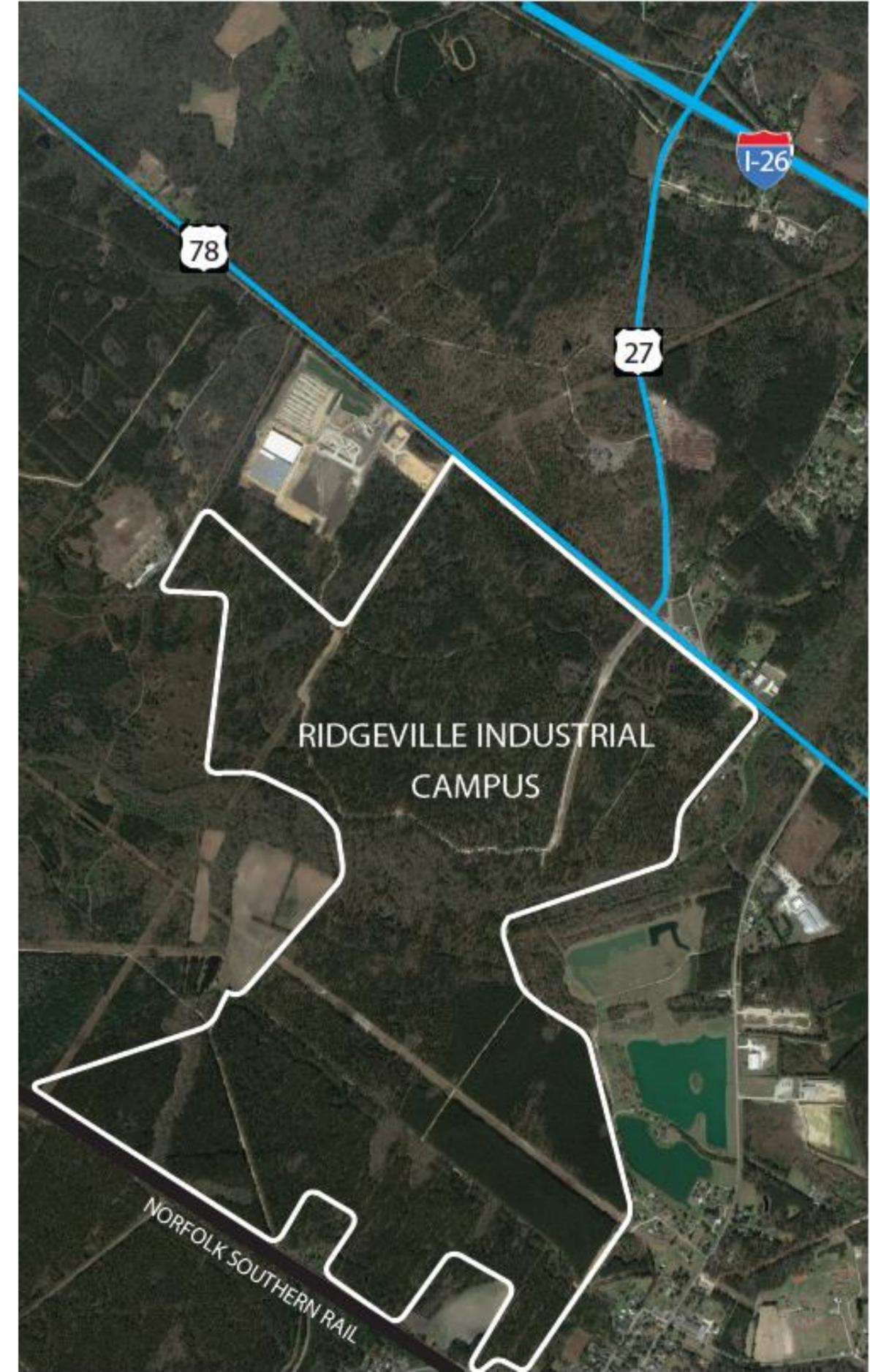


# **GROWING OUR CARGO BASE IS KEY**

- Supporting the Supply Chain Needs of Big Manufacturing
- Becoming a Real Player in Retail Distribution (70% of GDP is Consumption)
- Both Bricks and Mortar and E-Commerce
- Expanding Our Reach Intelligently Throughout the Southeast
- Leveraging the Combined Economies of the Carolinas (6<sup>th</sup> largest U.S. GDP)
- Intelligent Growth in Trans Loading Operations to Return Import Containers

# AMPLE PORT DEPENDENT LAND ESSENTIAL FOR GROWTH

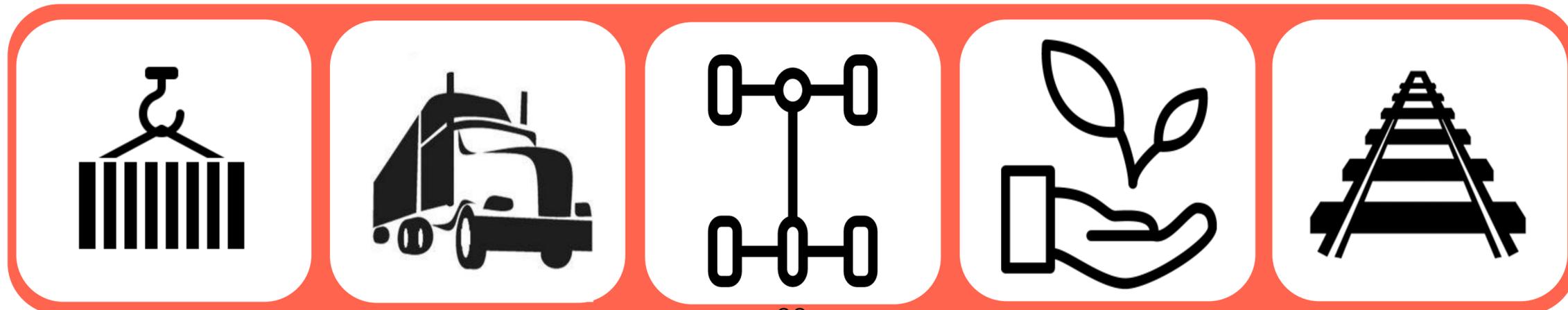
- Purchase of 1,000 Acres in Ridgeville
- Ports Need Ample Land to Grow Supporting Operations
- A Rail-Served Property
- Target is Combined Import/Export Container Distribution





# INTERMODAL KEY POINTS

- Further Leveraging Class 1 Rail: 22% Today
- Intelligently Expanding Our Reach by Rail
- Realizing a New ICTF in North Charleston
- Treating Truckers as Customers and With Respect
- A New Approach to Chassis (SSCP)
- Assisting in a Driver Recruitment Project



# SSCP



# **LONGER TERM FY2022 - FY2035**

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# LEATHERMAN TERMINAL

**FULL BUILD  
OUT BY 2032**

**FY 2021**

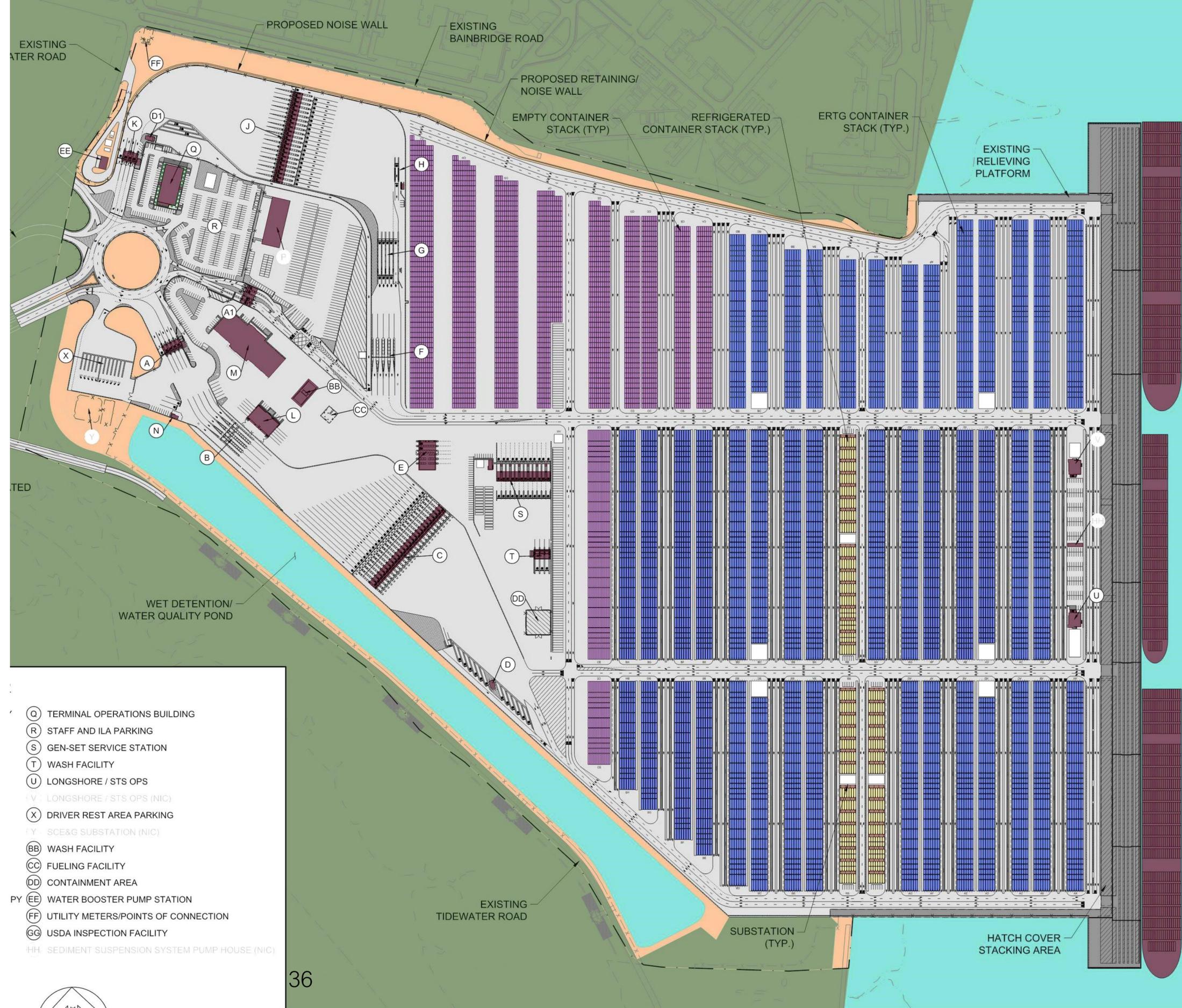
**Phase 1**

**FY 2026**

**Phase 2**

**FY 2032**

**Phase 3**



# OPERATING CASH FLOW AND INVESTMENTS

**FY2019 – FY2035**

## Available Capacity in Charleston Terminals by 2032

<b>Wando Terminal:</b>	<b>2.4 million TEU</b>
<b>Leatherman Terminal:</b>	<b>2.4 million TEU</b>
<b>North Charleston Terminal:</b>	<b>0.4 million TEU</b>

**Total Available Capacity**

**5.2 million TEU**

### Sources of Cash (millions):

Operating Cash Flow	\$2.580
Interest Income/Other Cash	300
New Debt	840
<b>Total Cash Inflow</b>	<b>\$3.720</b>

### Uses of Cash (millions):

Cap Ex → Leatherman Terminal	\$1.065
Cap Ex → Existing and Other	\$1.130
Debt Service	\$1.525
<b>Total Cash Outflow</b>	<b>\$3.720</b>

# **CONTINUE PLANNING**

## **JASPER OCEAN TERMINAL**

- A needed capacity expansion once GPA and SCPA build out existing and contemplated facilities.
- Best estimate of need is 2035 - 2037.
- The largest contiguous terminal ever built in the U.S.
- Significant road and rail infrastructure in SC is a precursor to success.
- GPA and SCPA can work together to make this happen.

**WHAT NOW?**

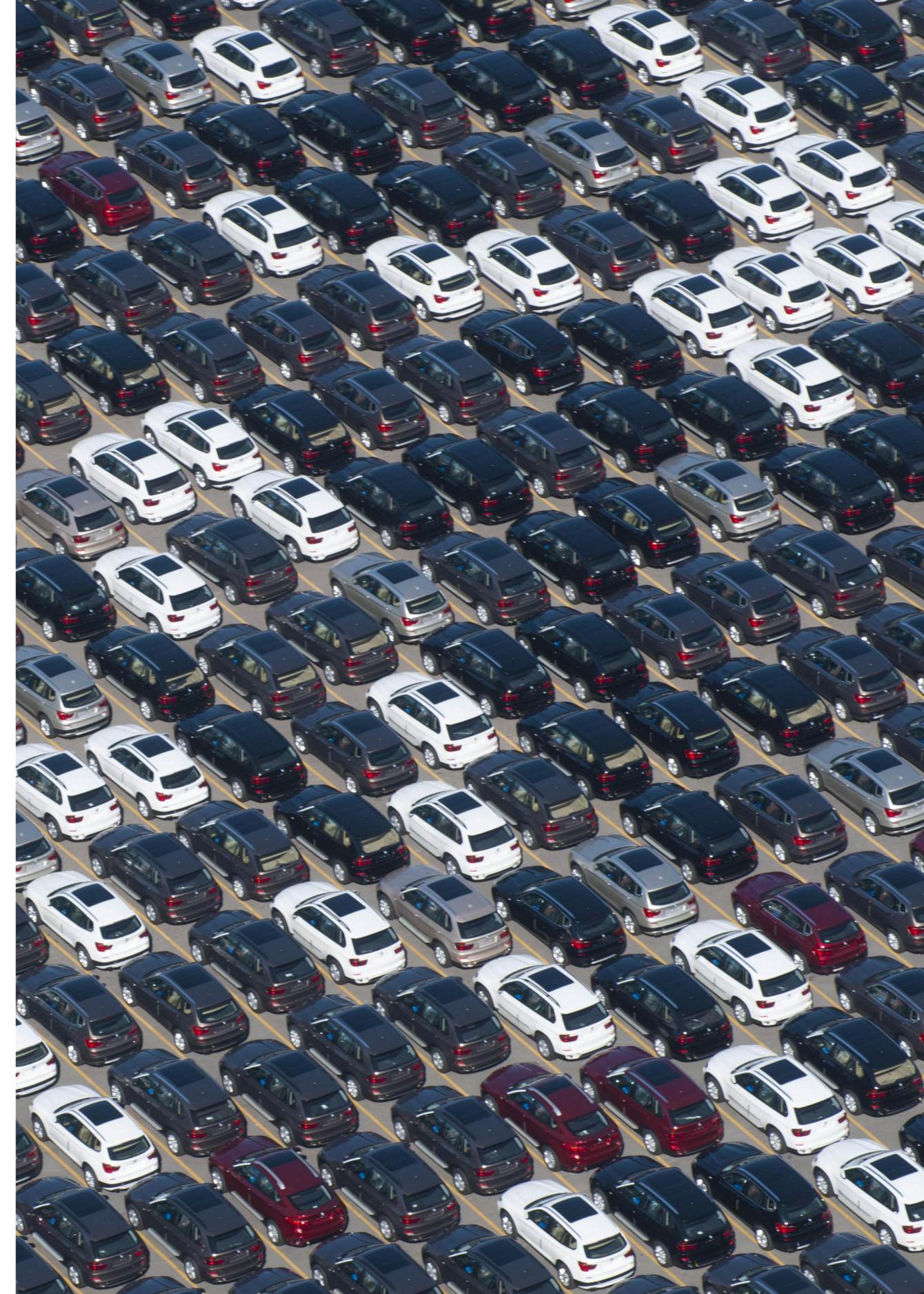
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## **A FOCUS ON PEOPLE**

- Investment Alone Does Not Lead to a Winning Outcome
- The Best People Create the Best Outcome
- About 10,000 People Directly Work in Our Industry in SC
- As Big as Boeing, Not All Under One Brand Name
- Aided by Technology, People Create Initiatives to Move Business Forward and Solve Problems
- Port-Related Businesses Pay 40% More than the Average Job in SC
- Are We Committed to Finding/Motivating and Retaining the Top Talent?

# WHERE DO OUR CUSTOMERS WANT TO DO BUSINESS?

- Where it is **easy** for them to do business.
- Where **risk is minimized**.
- Where they can deal with people they like and **trust**.
- Where people get to “**Yes**”, not just say “**No**”.
- Where **decisions are made** instead of procrastination.
- Where there is an abundance of **cooperation and collaboration**.





## HOW DO WE RESPOND?

- We have ample tools, and must make sure we have a **winning mindset**.
- We **celebrate our successes** but never rest on our laurels.
- We need to be restless in **driving improvement**.
- We **work together** to solve problems.
- We **change** where it is needed.
- We **help** those that need help.
- We **simplify** the way we do things.
- We **build** the reputation of the Charleston Port brand, not just our own organizations.

## **IN SUMMARY**

- My 10<sup>th</sup> State of the Port
- Almost Doubled our Volume and Re-Established our Brand Since 2009
- Investing Heavily for Growth and Handling Big Ships Efficiently
- FY2019 - FY2021 Will Define Our Future
- Managing a Bigger Business Than We Have Ever Managed Before
- Cooperation and Collaboration are the Keys to Our Success
- Our Future Is Very Bright and Our Best Years are Ahead



**SOUTH  
CAROLINA  
PORTS**

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THE WORLD CONNECTS HERE

**THANK YOU**  
**#CHARLESTONPORTPROUD**